

Message Text

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ORIGIN EB-11

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FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO

UNCLAS STATE 153537

E.O. 11652 N/A

TAGS: ETRD, CE

SUBJ: GSP TREATMENT OF SRI LANKA EXPORTS

REF: A) COLOMBO 1498

B) COLOMBO A-149

C) COLOMBO 1939

1. WE REGRET DELAY IN REPLYING TO REF A.

2. PLEASE EXPRESS TO MINISTER ILANGARATNE USG APPRECIATION FOR GSL OBSERVATIONS ON PROPOSED TRADE REFORM ACT (TRA) OF 1973. THESE VIEWS WILL BE TAKEN INTO ACCOUNT IN CONNECTION WITH CURRENT CONSIDERATION OF PROPOSED LEGISLATION. THE LIST OF PRODUCTS OF SPECIAL INTEREST TO SRI LANKA WHICH WAS INCLUDED IN MINISTER'S LETTER HAS BEEN DISTRIBUTED TO ALL APPROPRIATE USG AGENCIES.

3. PROPOSED LEGISLATION ON GENERALIZED TARIFF PREFERENCES FOR DEVELOPING COUNTRIES (GSP) PROVIDES THAT, BEFORE DESIGNATING ANY PRODUCT ELIGIBLE FOR PREFERENTIAL TREATMENT, PRESIDENT SHALL CONSULT THE TARIFF COMMISSION. TARIFF COMMISSION WILL CONDUCT INVESTIGATIONS AND HOLD UNCLASSIFIED

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PUBLIC HEARINGS BEFORE MAKING RECOMMENDATIONS TO THE

PRESIDENT. PENDING THE OUTCOME OF THIS PROCESS, WE CAN MAKE NO REPEAT NO COMMITMENT ON WHAT PRODUCTS WILL OR WILL NOT BE COVERED BY GSP.

4. WE ANTICIPATE THAT PREPARATION OF PRODUCT LISTS FOR SUBMISSION TO TARIFF COMMISSION WILL BE INTERAGENCY EFFORT. GSL PRODUCT LIST WILL BE FULLY CONSIDERED DURING THIS PROCESS.

5. PRESENT INTENTION IS TO EXCLUDE IMPORT-SENSITIVE PRODUCTS SUCH AS TEXTILES, SHOES, CERTAIN STEEL PRODUCTS AND WATCHES. IN ADDITION PROPOSED LEGISLATION PROVIDES THAT ARTICLES SUBJECT TO IMPORT RELIEF OR NATIONAL SECURITY PROVISIONS WILL BE EXCLUDED FROM PREFERENCES.

6. ILANGARATNE'S LETTER SUGGESTS THAT SRI LANKA AS COMPARATIVELY DISADVANTAGED LDC SHOULD RECEIVE LARGER DUTY-FREE QUOTAS. PROPOSED LEGISLATION DOES NOT PROVIDE FOR DUTY-FREE QUOTAS (TARIFF QUOTAS). "COMPETITIVE NEED" CEILINGS (SEC. 605(C) OF TRA) ARE NOT TARIFF QUOTAS. ONCE PREFERENTIAL TREATMENT IS WITHDRAWN OR SUSPENDED UNDER THIS SECTION, ALL SUBSEQUENT IMPORTS OF ARTICLE FROM DEVELOPING COUNTRY IN QUESTION WOULD BE SUBJECT TO NORMAL RATES OF DUTY UNLESS PREFERENTIAL TREATMENT IS RESTORED AT LATER DATE. THIS IS DESIGNED TO LIMIT PREFERENTIAL ACCESS TO THOSE DEVELOPING COUNTRY INDUSTRIES WHICH NEED PREFERENCE IN ORDER TO COMPETE. THIS "COMPETITIVE NEED" APPROACH SHOULD BE PARTICULARLY APPRECIATED BY THOSE COUNTRIES WHICH CONSIDER THEMSELVES TO BE RELATIVELY DISADVANTAGED. ROGERS

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